

(6 pages)

NOVEMBER 2023

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PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

Time : Three hours

Maximum : 75 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. What is Finance?
2. What is debt?
3. What is equity?
4. What is leverage?
5. Define cost of capital,
6. What do you mean by retained earnings?
7. What is weighted average cost of capital?
8. What is dividend?
9. What is operation cycle?
10. Define liquidity.
11. What is working capital?
12. What is forecasting?

13. Explain the objectives of finance.
14. What are the sources of finance?
15. What are the determinants of debt and equity proposal?
16. Explain the concept of ploughing profits with examples,
17. A firm's details are as under:  
Sales (@100 per unit) 24,00,000.  
Variable Cost 50%  
Fixed Cost 10,00,000  
It has borrowed 10,00,000 @ 10% p.a. and its equity share capital is 10,00,000 (100 each).  
Calculate:  
(a) Operating Leverage  
(b) Financial Leverage  
(c) Combined Leverage  
(d) Return on investment  
(e) If the sales increase by 6,00,000; what will the new EBIT?

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## II BBA Financial Management

18. XYZ Ltd. earns Rs. 10/ share, Capitalization rate and return on investment are 10% and 12% respectively.

Determine the optimum dividend payout ratio and the price of the share at the payout.

19. From the following information extracted from the books of a manufacturing company, compute the operating cycle in days and the amount of working capital required;

Period Covered	365 days
Average period of credit allowed by suppliers	16 days
Average Total of Debtors Outstanding	480
Raw Material Consumption	4,400
Total Production Cost	10,000
Total Cost of Sales	10,500
Sales for the year	16,000

Value of Average Stock maintained:

Raw Material	320
Work-in-progress	350
Finished Goods	260

PART C — (3 × 10 = 30 marks)

Answer any THREE questions.

All question carry equal marks.

20. Explain the role of financial manager in financial management.
21. Describe the factors influencing the capital structure.
22. Explain the concept of WACC with suitable example.
23. RST Ltd. has a capital of 10,00,000 in equity shares of 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of 10 paise at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%. Compute market price of the share at the end of the year, if  
(a) Dividend is not declared?  
(b) Dividend is declared?  
(c) Assuming that the company pays the dividend and has net profits of Rs. 5,00,000 and makes new investments of Rs. 10,00,000 during the period, how many new shares must be issued? Use the MM model.

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24. The following information has been extracted from the records of the company.

Product cost sheet	Rs./Unit
Raw materials	45
Direct labor	20
Over heads	40
Total	105
Profit	15
Selling price	120

Raw materials are in stock on an average of two months.

The materials are in process on an average for four weeks.

The degree of completions 50%.

Finished goods: stock on an average is one month

The lag in payment of wages and over heads is 1½ weeks

Time lag in receipts of payments from debtors is two months

Credit allowed by suppliers is one month

20% of the output is sold against cash

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The company is expected to keep a cash balance of Rs. 1,00,000

Take 52 weeks per annum.

The company is poised for a manufacture of 1,44,000 unit, in the year. You are required to prepare working capital requirement of the company.

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